

From: smartplan@tre.state.ma.us
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To: Corbett, Kate (DPH)
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SMART NEWS

September 2012

A Bi-monthly eBulletin of the Massachusetts Deferred Compensation SMART Plan

Highlights of this issue include:

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Message from the Executive Director, Deferred Compensation Asset Allocation and Deferral Savings Rates: Keys to a Successful Retirement Savings Strategy

In past issues of the SMART News eBulletin we have focused on the critical role asset allocation plays in the performance of each participant's portfolio. Studies show that up to 90% of a participant's portfolio return is directly related to asset allocation.¹ While asset allocation is critically important, we should not lose sight of the important role deferral savings rates play in achieving a meaningful retirement savings. Proper asset allocation should be coupled with a participant's deferral savings rate when deciding on the most effective strategy to meet each individual's replacement income goal.

A recent study conducted by T. Rowe Price suggests that in order for a participant to replace 50% of their current income in retirement, they would have to save at a rate of 15% of their current salary.² As discussed in past editions, participants may want to consider the TRI 30 rule when assessing what is the most appropriate deferral saving rate. To apply the TRI 30 rule to your saving rate, simply take the target replacement income rate ("TRI") and multiply that by 30%. For example, if you would like to replace 20% of your current salary in retirement, multiply 20% X 30% = 6% savings deferral rate.³

By incorporating these industry best practices into your retirement planning strategy you will give yourself a better chance to achieve your savings goals.

David Lynch, Executive Director

1 Asset allocation does not ensure a profit and does not ensure against loss in a declining market
2 T. Rowe Price Retirement Insights: *Measuring Retirement Plan Effectiveness*
3 Russell Research, August 2011. *What's the Right Savings Rate*

The Future is Now...Own Your Future

Are you prepared to live a happy and comfortable life in retirement? Do you wish you were more organized and prepared with your finances? By now you are used to making important decisions about your life and the way you live. While you may think you are too young, the best time to start planning is now.

It is true that many Americans will need help with health, personal needs and activities of daily living as they grow older. Don't be caught off-guard – start planning now for the unexpected and the unforeseen. Planning ahead will help you better prepare and take control of your future. Know your options and the benefits available exclusively to you and start planning today!!

How do I begin? Make a call or schedule an appointment!

1. Call (877) 457-1900 to speak with a SMART Plan Customer Service Representative or to schedule an appointment with a local SMART Plan Representative.
2. Visit our website, www.mass-smart.com, to explore and read about the Award Winning SMART Plan, available investment options, how the plan can benefit you, and many other educational and informational resources.
3. Attend an upcoming Employee Seminar or Drop-In Session (see our website for schedule, dates, times and locations).

Upcoming SMART Retirement & Beyond Seminars

October 11 - UMass Dartmouth / October 25 - Massachusetts Community College

November 1 - State House / November 8 - Springfield Technical Community College

Join the SMART Plan Today!

Whether you've been employed for years or are a new state or municipal employee, put the Massachusetts Deferred Compensation SMART Plan to work for you. Enroll online at www.mass-smart.com or call (877) 457-1900 to speak with a Plan Representative.

Fall Clean-Up: Tips & Approaches: Part 1

Increase Your Contributions

Now may be a good time to re-assess your deferral savings rate to ensure you remain on track to meet your replacement income goal. Your savings rate is of prime importance in building retirement wealth early on. By starting to save early for your retirement, you will greatly increase the impact that your deferral will have over a 25, 30 or 40 year savings horizon.

Retirement experts agree that it is best practice for participants to start saving early and regularly throughout their working years. Workers who chose to defer saving for retirement until later in their career, are missing out on one of the most important factors in retirement savings: time. By starting your retirement savings early, with a deferral savings rate and asset allocation strategy that is focused on your replacement income goal, you will give yourself the best chance to achieve a meaningful retirement savings outcome.

The SMART Plan offers participants the opportunity to put both time and tax-deferred savings on their side. Now is a good time to plan ahead and put the SMART Plan to work for you.

The following graph illustrates the potential long-term effect of increasing your contributions by \$25 pay period and how they can accumulate over time:

FOR ILLUSTRATIVE PURPOSES ONLY. This is a hypothetical illustration to show the value of an increase in contributions. This hypothetical illustration assumes a 6% average annual rate of return, 24 pay periods, and reinvestment of earnings with no withdrawals. Rates of return may vary. This illustration does not include any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulations shown above would be reduced if these fees had been deducted.

Make a SMART Choice for Your Retirement Planning (Another benefit of your Award Winning SMART Plan)

Don't leave your retirement to chance! Experts agree! Learn how the award winning SMART Plan can help you plan and reach your retirement goals and dreams. Our knowledgeable and qualified Retirement Counselors and Customer Service Representatives are ready to assist you by answering your questions and getting you started on your retirement path.

Plan Participant Testimonial

In this issue we feature Dennis, an employee at the Department of the State Treasurer

"I know every spare penny I can invest into my deferred account provides a sense of assurance for me and my family. With even a small contribution now, I know that I am on my way to guaranteeing a better future for myself."

Dennis of SBR

Converting from Part-Time to Full-Time Status?

If you are now a full-time employee and have a balance in an OBRA mandatory account, you may elect to transfer your OBRA mandatory account to your full-time account in the SMART Plan. In order to take advantage of this option, you cannot be actively contributing to the OBRA mandatory Plan. To implement this change or to learn more, please contact your SMART Plan Representatives at (877) 457-1900 and say "Representative".

SMART Plan APEX Award for Publication Excellence

The Massachusetts Deferred Compensation SMART Plan received a 2012 APEX Award for Publication Excellence in the Video Publications category for its SMART Plan Testimonial Video from Communications Concepts, Inc. The twenty-fourth annual APEX Awards program recognizes excellence in publications work by professional communicators based on best practices in Print, Web and ePublishing.

SMART Plan Criss-Cross Puzzle

Below is a fun addition to our SMART NEWS eBulletin. See if you can solve the clues and place all the words below!

Across	Down
1. Cash earmarked for emergencies	2. Retirement life after active work
7. Continued payments with a fixed total annual amount	3. Sudden shift in investment behavior
8. Moving money from one qualified account to another	4. Save money and retire tomorrow
9. A person retired from full-time work	5. A yearly calculated rate
	6. Managing spending and savings

We want to hear from you!

Have a Testimonial you would like to share and have featured?

Got questions or feedback?

Please email us at smartplan@tre.state.ma.us. Thank you!

Please forward this Bulletin.